

Message Text

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TOSEC 236

FOLLOWING SENT ACTION SECSTATE INFO TEL AVIV JIDDA KUWAIT LONDON
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QUOTE

C O N F I D E N T I A L TOKYO 14575

E.O. 11652: GDS

TAGS: ENRG, PFOR, JA

SUBJ: GOJ REACTION TO ARAB OIL OUTBACK

SUMMARY: FONOFF UNDER INCREASING PRESSURE FOR JAPAN TO TAKE
PRO-ARAB DIPLOMATIC INITIATIVE IN ORDER TO GET ARABS TO RE-
SUME FULL SHIPMENTS CRUDE OIL. APPARENT AGREEMENT EXISTS
WITHIN GOJ FOR JAPAN TO TAKE NO ACTION UNTIL DISCUSSION THIS
SUBJECT WITH SECRETARY CONCLUDED. JAPANESE FONOFF OFFICIAL
ALSO EXPRESSED CONCERN OVER POSSIBLE DISCRIMINATION BY
MAJORS IN SUPPLYING OIL TO JAPAN. EMBASSY BELIEVES DIVERSION
OF OIL WOULD SERIOUSLY DAMAGE JAPAN'S LONG-TIME RELATIONS
WITH OIL COMPANIES. SUCH ACTION WOULD ALSO ADD WEIGHT TO
POSITION OF THOSE IN GOJ WHO ARE CALLING FOR STRONG PRO-ARAB
POSITION. END SUMMARY.

1. ON EVENING NOVEMBER 7 ECONCOM/MIN HAD EXTENDED DISCUSSION
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WITH MR. HIROMICHI MIYAZAKI, DIRECTOR-GENERAL, ECONOMIC
AFFAIRS BUREAU, FONOFF, ON SUBJECT OF JAPANESE REACTION TO
ARAB OIL CUTBACK AND PRESSURE FOR SOME DRAMATIC ACTION ON
PART OF GOJ TO DEMONSTRATE SUPPORT FOR ARAB CAUSE IN CURRENT

MIDDLE EAST SITUATION.

2. MIYAZAKI STATED FONOFF UNDER STRONG AND INCREASING PRESSURE FROM WITHING GOVERNMENT, FROM LIBERAL DEMOCRATIC PARTY AND FROM BUSINESS CIRCILES TO TAKE DIPLOMATIC INITATIVE TO IMPROVE JAPAN'S POSITION VIS-A-VIS ARAB OIL PRODUCING COUNTRIES. HE SAID FONOFF HAS BEEN ABLE TO HOLD OFF CALLS FOR SUCH ACTION FOR PRESENT BY SAYING GOJ MUST WAIT UNTIL SECRETARY KISSINGER ARRIVES IN JAPAN AND GOJ OFFICIALS HAVE HAD OPPORTUNITY TO DISCUSS SITUATION WITH HIM. MIYAZAKI SAID THIS LINE EFFECTIVE FOR PRESENT, BUT SOMZ ACTION WILL HAVE TO BE TAKEN SHORTLY FOLLOWING SECRETARY'S VISIT IF DISCUSSIONS WITH SECRETARY DO NOT PROVIDE GOJ WITH SOME BASIS FOR BELIEVING THAT SOLUTION TO MIDDLE EAST SITUATION IN SIGHT WHICH WOULD END ARAB REDUCTIONS IN OIL SUPPLY.

3. MIYAZAKI SAID FONOFF, IN CONSULTATION WIHT OTHER CONCERNED MINISTRIES, IS PRESENTLY CONSIDERING LINE GOJ WILL FOLLOW ON THIS SUBJECT IN DISCUSSIONS WITH SECRETARY. NO DECISION HAS YET BEEN REACHED AND IT POSSIBLE THAT FINAL ACTION MAY NOT BE TAKEN UNTIL JUST BEFORE SECRETARY'S ARRIVAL. MIYAZAKI DECLINED GIVE OWN OPINION ON WHAT POSITION GOJ WILL TAKE WITH SECRETARY. HE SAID QUESTION TOO DELICATE AT PRESENT TIME FOR HIM TO GIVE ANYTHING OTHER THAN OFFICIAL VIEW. IN RESPONSE TO REQUEST BY ECONCOM/MIN, MIYAZAKI SAID HE HOPED TO BE ABLE TO PROVIDE EMBASSY WITH GOJ POSITION PRIOR TO SECRETARY'S ARRIVAL SO THAT SECRETARY COULD BE BRIEFED ON GOJ VIEWS PRIOR TO DISCUSSIONS WITH GOVERNMENT LEADERS.

4. MIYAZAKI SAID ALL CONCERNED DIRECTORS-GENERAL IN FONOFF IN VERY CLOSE CONTACT ON THIS MATTER. HE ALSO SAID HE HAD DISCUSSED MATTER WITH MITI VICE MINISTER EIMEI YAMASHITA AND AGENCY OF NATURAL RESOURCES AND ENERGY DIRECTOR-GENRAL EIJI YAMAGATA. WHILE NOT DIRECTLY STATED, MIYAZAKI'S COMMENTS INDICATED THAT SIGNIFICANT PORTION OF INTER-GOVERNMENT PRESSURE ON FONOFF WAYDCROM MITI. MITI'S PRINCIPAL ENERGY ADVISOR MOROZUMI, IN SEPARATE CONVERSATION WITH ECONCOM/MIN THAT CONFIDENTIAL

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EVENING IN EFFECT CONFIRMED THIS LATTER POINT.

5. MIYAZAKI STATED THAT AT PRESENT THERE APPEARED TO BE ONLY TWO OPTIONS OPEN TO GOJ ON DIPLOMATIC FRONT THAT WOULD SATISFY ARABS. FIRST WOULD BE TO BREAK DIPLOMATIC RELATIONS WITH ISRAEL AND SECOND WOULD BE TO SUPPLY ARMS TO ARAB X COUNTRIES. HE INDICATED THAT HE DID NOT CONSIDER FIRST OPTION LIKELY AND THAT SECOND WOULD BE INCONCEIVABLE. HE SAID THERE DID NOT APPEAR TO BE ANY THIRD OPTION AT PRESENT TIME. HE ADDED THAT SITUATION COMPLICATED BY FACT JAPAN DOES NOT KNOW WHO IS CALLING TUNE FOR ARABS. IN SUCH A SITUATION IT DIFFICULT FOR JAPAN TO KNOW TO WHICH REQUEST IT SHOULD RESPOND.

6. MIYAZAKI ALSO VOICED CONCERN THAT U.S. MAJOR OIL COMPANIES MAY BE REDUCING SUPPLIES TO JAPAN TO A GREATER DEGREE THAN THAT REQUIRED BY ARAB PRODUCTION CUTS. HE SPECULATED THAT THIS BEING DONE BY DIVERTING CRUDE FROM UNAFFECTED SOURCES (E.G. IRAN AND INDONESIA) FROM JAPAN TO U.S. OR TO OTHER POINTS. HE EXPRESSED PARTICULAR CONCERN THAT CALTEX MIGHT BE CUTTING BACK ON ITS SUPPLY OF INDONESIAN CRUDE TO JAPAN.

HE SAID THERE HAD ALREADY BEEN SPECULATION ALONG THESE LINES IN TOTAL PRESS AND REPORTERS WERE BUSY GATHERING ALL AVAILABLE FACTS. HE SAID THAT IF IT TURNED OUT TO BE TRUE THAT U.S. MAJOR OIL COMPANIES WERE IN FACT DISCRIMINATING AGAINST JAPAN AND IF GOJ DID NOT TAKE ACTION IN LIGHT OF SITUATION, GOJ WOULD COME UNDER VERY HEAVY ATTACK FROM UNFRIENDLY PRESS. HE EXPRESSED DEEP CONCERN OVER SERIOUS ADVERSE EFFECT THAT SUCH A SITUATION WOULD HAVE ON U.S./JAPAN RELATIONS.

7. LOCAL OFFICIAL OF CALTEX (LARGEST SUPPLIER OF CRUDE OIL TO JAPAN) IN CHARGE OF CRUDE OIL SUPPLY TOLD EMBOFF NOV 8 THAT CUTS CLATEX MAKING IN JAPAN WERE HIGHER THAN HE HAD EXPECTED AND HINTED THAT HE PERSONALLY BELIEVED THAT CUTBACK EXCEEDED LEVEL OF CUTS IMPOSED ON CALTEX BY OPEC NATIONS. HE AVOIDED DIRECT COMMENT ON PRESS REPORT THAT CALTEX WOULD NOT SUPPLY INDONESIAN MINES OIL TO JAPAN AFTER DECEMBER 1.

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8. IN SEPARATE CONVERSATION, DIRECTOR GENERAL OF ME AND AFRICA BUREAU, HIDEHO TANAKA, GAVE EMBOFF ACCOUNT VERY SIMILAR TO MIYAZAKI'S. CLEAR MESSAGE WAS THAT FONOFF HAD ONLY ONE PERSUASIVE ARGUMENT TO STAND OFF THOSE IN MITI WHO WANTED TO TAKE QTE ANY ACTION NECESSARY UNQTE TO MAINTAIN FLOW OF OIL TO JAPAN. THIS WAS THAT GOJ LEADERS MUST CONSULT WITH SECRETARY ANDDETERMINE PROGRESS BEING MADE TOWARD SOLUTION TO ME SITUATION BEFORE MAKING MAJOR FOREIGN POLICY DECISIONS AFFECTING ME.

9. COMMENT: AS NOTED IN PREVIOUS MESSAGES, EMBASSY IS CONCERNED OVER EFFECT ON FUTURE JAPANESE PETROLEUM POLICIES, SHOULD U.S. MAJORS INDEED BE SUPPLYING LESS OIL TO JAPANESE MARKET THAN MIDDLE EAST PRODUCTION CUTS WOULD WARRANT. WE ARE, OF COURSE, FULLY APPRECIATIVE OF IMPACT OF ARAB ACTIONS ON U.S. DOMESTIC OIL REQUIREMENTS. HOWEVER, WE BELIEVE THAT DISCRIMINATION BY MAJORS AGAINST JAPAN BY DIVERTING JAPAN'S USUAL SUPPLIES FROM UNAFFECTED SOURCES WOULD NOT ONLY SERIOUSLY DAMAGE JAPAN'S LONG-TERM RELATIONS WITH MAJORS, BUT WOULD ADD WEIGHT TO POSITION OF THOSE IN GOJ WHO ARE CALLING FOR STRONG PRO-ARAB POSITION.

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UNQUOTE RUSH

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